



November 9, 2009

Mr. Charles Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Drive
Columbia, SC 29210

RE: Docket No. 2009-168-E

Pursuant to Public Service Commission of South Carolina Order No. 2009-770, issued in Docket No. 2009-168-E, Progress Energy Carolinas, Inc. submits its internal credit risk rating criteria for evaluating the creditworthiness of its non-residential customers.

Sincerely,

A handwritten signature in black ink, appearing to read 'Len S. Anthony', with a large, stylized loop at the end.

Len S. Anthony
General Counsel
Progress Energy Carolinas, Inc.

LSA:mhm

Attachment

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PROGRESS ENERGY CAROLINAS, INC.
Commercial, Industrial, Governmental Credit Risk Rating Criteria

1. Satisfactory Credit Score

The customer is considered to have a “Satisfactory Credit Score” by meeting the following conditions:

1.1. Private Company or Entity:

Progress Energy Equivalent Rating is equal to or higher than the equivalent Moody’s Unsecured Debt Rating of Ba2 or S&P Rating of BB.

1.2. Public Company:

Moody’s Unsecured Debt Rating is Ba2 or S&P Rating is BB (or higher), or

Progress Energy Equivalent Rating is equal to or higher than the equivalent Moody’s Unsecured Debt Rating of Ba2 or S&P Rating of BB when no agency rating is available.

If the customer is privately held or does not have the requisite number of ratings as described in 1.2, the company must provide the following financial data in order for Progress Energy to determine a credit score and verify the customer’s credit worthiness. The necessary financial data shall consist of (1) the last three (3) years of audited, year end financial statements consisting of, at minimum, Balance Sheet, Income Statement, Statement of Cash Flows and Notes to the financial statements. If audited financial statements are not available, then the following financial data may be accepted: (2) last three (3) years of reviewed or compiled financials to include, at minimum, Balance Sheet and Income Statement; or (3) last three (3) years business tax returns. Individual tax returns may be provided so long as the customer is a sole proprietor and is unable to provide any of the aforementioned financial data. If the customer elects not to provide the required financial data, the account must be secured.

NOTE: The term “Satisfactory Credit Score” pertains strictly to the customer's financial condition and is independent of the customer's Progress Energy payment history.

2. Credit Rating Review Process

2.1 In order to complete the Credit rating review process the following steps must occur:

- Identify and confirm existing Standard & Poor’s (S&P) and/or Moody’s ratings for the customer
- Obtain customer financial information along with any available background information
- Perform financial statement analysis which includes, but is not limited to, the following:
 - Revenue Trends
 - Income Trends

- Free Funds from Operations
- Total Debt to Tangible Net Worth
- Funded Debt to Capital
- Interest and Debt Service Coverage
- Operating Cash Flow Trends
- Working Capital Trends
- Liquidity
- Provide written synopsis of financial statement analysis
- Assign Progress Energy Equivalent Rating

2.2 The financial statement analysis should take into account the following:

- A comparative analysis of sequential quarter and year over year for trending purposes;
- Any financial anomalies discovered in the course of the review: determine if one time or reoccurring;
- The customer's financial obligations, including but not limited to:
 - Long-term debt maturities;
 - Short-term debt to include amounts outstanding under revolving credit facilities;
 - Construction loan obligations;
 - Capital Lease Obligations;
 - Related party obligations (maturities, amounts);
 - If available, a review of credit facility loan covenant compliance should be done
- The potential PGN exposure versus the customer's net worth;
- The economic environment existing at the time of the review;
- If available, the most recent quarter-end or interim financial statements should be reviewed for any significant changes from the last fiscal year end;
- If possible, a peer company analysis should be done to see the relative position of the customer within their respective industry

2.3 Assign the Progress Energy Equivalent Rating:

- Equal to or greater than the equivalent Moody's Unsecured Debt Rating of Ba2 or S&P Rating of BB
- Less than the equivalent Moody's Unsecured Debt Rating of Ba2 or S&P Rating of BB

Progress Energy Parent Guarantee Requirements

Parent Guarantees in lieu of Stand by Letter of Credit, Surety Bond or Cash Deposit may be accepted by the Progress Energy Carolinas (PEC) under any of the following conditions:

1. If the parent is domestic, publicly traded and is rated by at least two (2) of the three (3) following rating agencies Standard & Poors (S&P), Moody's Investor Services (Moody's) and Fitch Rating Services (Fitch). Rating shall be the unsecured, senior long-term debt or deposit obligations (not supported by third party credit enhancement). Both ratings (if company is only rated by 2 of the 3 agencies) or at least two (2) of the three (3) (if company is rated by all three agencies) must be (i) BBB- or greater from S&P (ii) Baa3 or greater from Moody's (iii) BBB- or greater from Fitch. If the parent company does not have at least 2 of the above referenced ratings please refer to paragraph 3 below for alternate qualification method.
2. If the parent is a foreign company, it must be publicly traded and rated by at least two (2) of the three (3) following rating agencies Standard & Poors (S&P), Moody's Investor Services (Moody's) and Fitch Rating Services (Fitch). Rating shall be the unsecured, senior long-term debt or deposit obligations (not supported by third party credit enhancement). Both ratings (if company is only rated by 2 of the 3 agencies) or at least two (2) of the three (3) (if company is rated by all three agencies) must be (i) BBB- or greater from S&P (ii) Baa3 or greater from Moody's (iii) BBB- or greater from Fitch.
3. If a parent company is domestic and does not have the requisite number of ratings as described in (1) or is privately held, the company shall provide their last three (3) years of audited, year end, financial statements consisting of, at a minimum, Balance Sheet, Income Statement, Statement of Cash Flows and Notes to the financial statements. Parent company must be willing to submit updated annual financial statements no later than 120 days after the company's fiscal year end. The submitted financial information will be evaluated using standard financial metrics in a commercially reasonable manner with such metrics also being subjected to a review in relation to the parent's industry peers. The determination as to the suitability of the parent to provide a guarantee will be at the sole discretion of PEC.

If none of the conditions in 1, 2 or 3 have been met, a parent guarantee will not be considered in lieu of Stand by Letter of Credit, Surety Bond or Cash Deposit.